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Hartford CT 06106-5032

STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES

IP 2004(25)

INFORMATIONAL PUBLICATION

Q & A on Succession, Estate, and Generation-Skipping Transfer Taxes

Purpose: This Informational Publication answers commonly-asked questions about the succession and estate taxes.

Effective Date: Effective upon issuance.

Statutory Authority: Chapters 216, 216a, and 217 of the Connecticut General Statutes.

Succession Tax

1. What is the Connecticut succession tax?

The Connecticut succession tax applies, subject to allowable exemptions and deductions, to the transfers of a decedent's property upon death. The exemption amounts and tax rates vary based on the date of the decedent's death, and the relationship of the beneficiary to the decedent. The succession tax is being reduced in increments and will ultimately be repealed.

2. Who must sign and file a Connecticut succession tax return?

A succession tax return must be filed for each decedent who, at the time of death, was a Connecticut resident. A succession tax return must also be filed for each decedent who, at the time of death, was a nonresident of Connecticut owning real or tangible personal property located in Connecticut. Generally, the administrator or executor must sign and file the succession tax return. If there is no administrator or executor, a survivor or transferee may file. If there is more than one fiduciary, all must sign the return. Two original returns must be filed with the Probate Court.

3. Which succession tax return should I file?

If the estate passes to beneficiary classes that fall below the exemption amounts, file **Form S-2, Succession Tax Return**, regardless of the size of the estate. If any portion of the estate passes to a beneficiary class that

falls above the exemption amount before deductions, file **Form S-1, Succession Tax Return**.

4. When is the succession tax return due?

The succession tax return must be filed in duplicate with the Probate Court within six months of the decedent's death.

5. How do I determine a beneficiary class?

To determine the beneficiary class, refer to the list below or to the section entitled *Alphabetical Listing of Relationship of Beneficiary to Decedent* in the instructions for Form S-1 or Form S-2.

Class AA beneficiary: He or she is the decedent's husband or wife.

Class A beneficiary: He or she is the decedent's parent, grandparent, adoptive parent, and a natural or adopted descendant of the decedent such as a daughter, son, grandchild, or great-grandchild.

Class B beneficiary: He or she is the decedent's brother or sister (full or half), a natural or adopted descendant of the decedent's brother or sister (niece or nephew related to decedent by blood or adoption), stepchild, or a spouse or an unremarried widow(er) of the decedent's natural or adopted child.

Class C beneficiary: He or she is not a Class AA beneficiary, a Class A beneficiary, or a Class B beneficiary. He or she may include the decedent's cousin, uncle, aunt, sister-in-law, brother-in-law, stepbrother, stepsister, or step-grandchild, niece or nephew related by marriage, as well as unrelated individuals, and associations or corporations that do not qualify as an exempt organization.

6. What is the exemption from succession tax?

The exemption amount varies by beneficiary class. Use the tables on Page 2 **and** look for the date of the decedent's death to determine the appropriate exemption amount. The exemption is cumulative for the beneficiary class.

Date of Death	7/1/88 - 12/31/96	1997	1998	1999	2000
Class AA	Exempt	Exempt	Exempt	Exempt	Exempt
Class A	50,000	250,000	500,000	800,000	2,000,000
Class B	6,000	6,000	6,000	200,000	400,000
Class C	1,000	1,000	1,000	1,000	1,000

Date of Death	2001, 2002, and 3/1/03 through 12/31/04	2005 and 1/1/03 through 2/28/03	2006	2007	2008
Class AA	Exempt	Exempt	Exempt	Exempt	Exempt
Class A	Exempt	Exempt	Exempt	Exempt	Exempt
Class B	600,000	1,500,000	Exempt	Exempt	Exempt
Class C	200,000	400,000	600,000	1,500,000	Exempt

7. How do I determine the correct succession tax rate?

To determine the correct rate for the decedent's date of death, refer to **Form C-107, Tax Tables for Succession and Transfer Taxes**.

8. How do I report assets and deductions on Form S-1?

You must follow the instructions for **Form S-1**, but generally you complete the return as follows:

Schedule	Assets
3	Recapitulation and estimation of tax
4	Real property not owned in survivorship
5	Stocks and bonds not owned in survivorship
5A	Closely held securities
5B	Marketable securities
6	Miscellaneous personal property not owned in survivorship, including: antiques, automobile, bank accounts, household furniture and fixtures, insurance on the life of another, jewelry, mortgages, partnerships, final payments of interest income in trusts, unincorporated business.
7 and 8	Survivorship property
7	Survivorship bank accounts and US Savings Bonds
7E	Summary of decedent's fractional interest
8	Other survivorship property
9	Powers of appointment
10	Transfers during a decedent's lifetime including gifts made within 3 years of the decedent's date of death or payable at death
11	Death benefits, annuities, pension plans, retirement benefits

Schedule	Deductions
12	<p>Deductions include:</p> <ul style="list-style-type: none"> • Debts incurred prior to death and paid after death, including unpaid property and unpaid real estate taxes on the grand list as of October 1 of the year preceding the decedent's death; • Funeral and crematory expenses; • Administration expenses; • Attorney fees; • Probate Court fees; and • Expenses associated with selling real estate. If the real estate was not specifically devised and it was not owned jointly or in survivorship or not transferred prior to death, and was sold prior to the final tax computation (generally 60 days after assessment date), you may deduct real estate broker fees, legal fees, recording fees, conveyance tax, and closing cost credits.

9. On Form S-2, how do I decide whether to list assets on Schedule 3, or on Schedule 4?

For solely-owned property or property owned as tenant in common, use Schedule 3. For all other assets, use Schedule 4.

10. Are trusts subject to succession tax?

Revocable trusts are subject to succession tax. Generally, irrevocable trusts are not subject to succession tax, but the trust instrument must be reviewed to make a determination.

11. Are IRAs subject to succession tax?

Yes.

12. Are Keoghs subject to succession tax?

No. Self-employed pension plans are excluded from succession tax except when payable to the estate per Conn. Gen. Stat. §12-349(d).

13. Which portion of a pension plan is taxable?

The value after death of a qualified pension plan payable to a named beneficiary is excluded from succession tax to the extent of the employer's contributions. The portion attributable to the decedent's contributions is subject to tax. Include any interest earned on the contributions of each party. (See *Form S-1 Instruction for Filing Succession Tax Return* for more information.) If payable to the estate, the annuity or pension is fully taxable under Conn. Gen. Stat. §12-349(b). Pension plans rolled over to an IRA are fully taxable.

14. How do I know what value to use when reporting stock?

Use the average of the stock's high and low quoted selling price on the decedent's date of death.

15. How do I know what value to use when reporting real estate?

Use the fair market value on the decedent's date of death. You may be required to provide documentation, such as an appraisal or comparable market analysis, to substantiate the reported value.

16. How do I report real estate where a decedent reserved life use or continued to reside on the premises after transferring the property to another?

Under Conn. Gen. Stat. §12-341b(d), where a gift is intended to take effect at death, the fair market value of the real estate on decedent's date of death is reported on **Form S-1**, Schedule 10, or **Form S-2**, Schedule 4. Beginning in 1991, a gift tax return would have been due on the original gift.

17. What is the age factor?

The age factor is required when calculating a life or income interest. Use **Form E61-1M**, the Commissioner's 1980 Standard Ordinary Mortality Table at 6%, to determine an age factor if death occurred after July 7, 1988.

18. Is life insurance taxable for succession tax purposes?

Life insurance proceeds on the decedent's life are not subject to succession tax. Endowments or supplementary life insurance proceeds are subject to succession tax. The cash value of life insurance owned by the decedent on the life of another is subject to succession tax.

19. Where do I list gifts on the tax return?

On Form S-1, gifts are listed on Schedule 10. On Form S-2, gifts are listed on Schedule 4.

20. Do I need to list all gifts given?

Beginning on or after January 1, 2002, only gifts over \$11,000 per person per year are reportable. The exemption amount is subject to change annually based on federal rules. For years prior to 2002, only gifts over \$10,000 per person per year were reportable.

21. Should I report a gift that was made more than three years prior to the decedent's date of death?

Generally no, unless the gift was real estate and the decedent either reserved a life use or continued to reside on the premises; or unless the decedent retained use of the asset in some way, such as collecting the income earned from the asset. Then the full fair market value at the date of death is fully taxable.

22. May I file an amended succession tax return?

You may file **Form S-4**, *Amendment to Succession Tax Return*, amending either taxability or value until the tax computation is final. Generally, the tax computation is final 60 days after the assessment date. Effective July 1, 1999, for all estates, when property is discovered after the tax computation is final, the fiduciary is not required to file an amendment with the Department of Revenue Services (DRS) unless the additional tax equals or exceeds \$100. Two originals must be filed with the Probate Court. For more information, see **Special Notice 99(9)**, *1999 Legislation Affecting the Succession and Transfer Taxes*.

23. How do I report unclaimed property of the decedent discovered after filing?

You should file **Form S-4** with the Probate Court and pay any tax and interest due. A reduced interest rate is generally applied. Assets should be reported using the value at the date of death.

24. I have additional deductions to report and the assessment has been issued. Can I amend the succession tax return?

When you file Form S-4 within sixty days of the assessment, additional deductions are allowable. After sixty days, the deduction must have been unknown at the date of filing and be more than \$500.

25. What is the Connecticut succession tax file number?

This is a unique identification number assigned to an estate by DRS. This number, if known, should be included on all estate correspondence.

26. What is a tax ID number?

This is a Federal Employer Identification Number (FEIN) that must be used when reporting federal estate income tax. Contact the Internal Revenue Service at **1-800-829-1040**.

27. How do I obtain an extension to file the succession tax return or pay the succession tax, or both?

Send a letter to:

Department of Revenue Services
Inheritance Unit
PO Box 2972
Hartford CT 06104-2972

and a copy to the Probate Court, requesting an extension of time to file. If the request is received within six months of the decedent's date of death, the extension is granted automatically and you will not hear from DRS. There is no extension of time to pay the succession tax due. Interest accrues on any succession tax that is due and not paid within six months of the date of death.

28. What is the interest rate for late payment of the succession tax?

Beginning on or after July 1, 1995, the interest rate for late payment is 1% of the tax due per month beginning six months after date of death for succession taxes. For a chart of historical interest rates, refer to **Form C-106, *Interest Rates on Underpayment and Overpayments of Succession and Transfer Taxes and the Estate Tax.***

29. How are payments applied?

Payments for late-paid succession tax are applied first to interest and then to tax.

30. I have a good reason for paying late. Will DRS waive the interest?

No. DRS has no statutory authority to waive interest.

31. Does the estate receive interest on a refund of succession tax?

Yes. You currently receive interest on a refund from the later of the payment date, or six months after the date of death for succession tax. For historical interest rates, refer to **Form C-106.**

32. May I apply the succession tax refund check toward an additional amount of succession tax owed?

Generally, yes. Return the check with a written explanation to the Inheritance Unit Supervisor and the circumstances will be reviewed.

33. If the estate has a refund check that cannot be cashed or the refund check cannot be found, what should I do?

If you have a refund check that cannot be cashed, return it to the Inheritance Unit Supervisor with a note

indicating your situation. A replacement check will be issued.

In the case of a lost refund check, send a note to the Inheritance Unit Supervisor indicating your situation. A tracer will be processed by the Comptroller's Office.

34. How do I obtain a release of lien for a nontaxable estate or a transfer to an exempt beneficiary?

For nontaxable estates, the Probate Court issues the release of lien. You must submit **Form PC-205, *Application for Certificate Releasing Connecticut Succession and Estate Tax Liens***, and **Form PC-256, *Certificate Releasing Connecticut Succession and Estate Tax Liens***, to the appropriate Probate Court. These forms are available through the State of Connecticut Judicial Branch Web site at www.jud.state.ct.us. Generally, DRS only issues releases on taxable estates.

35. How do I obtain a release of lien for a taxable estate or an estate required to file Form CT-706?

DRS issues releases on taxable estates and for estates required to file **Form CT-706, *Connecticut Estate Tax Return***. A Connecticut attorney or a fiduciary may request a release of lien by filing a completed **Form CT-4422, *Application For Certificate Releasing Connecticut Succession and Estate Tax Liens***, and **Form CT-792, *Certificate Releasing Connecticut Succession and Estate Tax Liens***.

The quickest way to apply is to fax the completed forms to **860-297-5775**.

36. Must I obtain a consent to transfer (waiver) from DRS prior to transferring a decedent's property?

No. Effective July 1, 2001, the requirement to obtain a consent to transfer prior to transferring a decedent's property was eliminated. Therefore, regardless of the decedent's date of death, DRS no longer issues consents to transfer. Refer to **Special Notice 2001(8), *2001 Legislation Affecting Succession Tax***.

37. When does an estate need to file a domicile declaration?

Generally, whenever a decedent is claimed to be a nonresident, the fiduciary of the decedent's estate must file **Form C-3, *Domicile Declaration***. If the Probate Court judge certifies that no succession tax is due and the estate is not required to file Form CT-706, then the domicile declaration need only be filed upon request.

38. I am a beneficiary of an estate. How may I obtain information about the estate?

Confidentiality laws described in Conn. Gen. Stat. §12-15 prevent DRS from revealing specific tax information to anyone other than an estate's authorized representative. Authorized representatives, including the estate attorney and the fiduciary, may obtain tax return information by submitting **LGL-002, Request for Disclosure of Tax Return or Tax Return Information**.

39. Who issues the No Tax Letter?

If the probate judge has signed the Certificate of Opinion of No Tax on Form **S-1** or **Form S-2, Succession Tax Return**, or **Form S-4, Amendment to Succession Tax Return**, then the Probate Court is responsible for issuing the Certificate of No Tax for Succession Tax Purposes. DRS has 30 days to object to the probate judge's Certificate of Opinion of No Tax.

Estate Tax

1. What is the Connecticut estate tax?

For estates of decedents dying before July 1, 2004, the Connecticut estate tax is a transfer tax which absorbs the maximum credit allowable for state death taxes on federal Form 706, *United State Estate (and Generation-Skipping Transfer) Tax Return*. It shifts a portion of the federal estate tax to Connecticut by picking up the credit allowed for state death taxes under the Internal Revenue Code (I.R.C.) §2011. The allowable credit is due to Connecticut whether or not the credit is claimed on federal Form 706. Refer to the instructions for **Form CT-706, Connecticut Estate Tax Return**, for more information.

2. What is the special estate tax?

The estates of decedents dying on or after July 1, 2004, and before January 1, 2005, are subject to a special Connecticut estate tax, rather than to the regular Connecticut estate tax under Chapter 217 of the Connecticut General Statutes. See **Special Notice 2004(1.1), Special Estate Tax on Estates of Decedents Dying On or After July 1, 2004, and Before January 1, 2005**, for more information.

3. Who must file a Connecticut estate tax return?

Generally, the administrator or executor is responsible for filing the Connecticut estate tax return. If there is no administrator or executor, a survivor or transferee

may file. If there is more than one fiduciary, all must sign the return. Whenever an estate is required to file federal Form 706, *United States Estate (and Generation-Skipping Transfer) Tax Return*, **Form CT-706, Connecticut Estate Tax Return**, must be filed both for Connecticut residents and for nonresidents owning real or tangible personal property in Connecticut. One original must be filed with the Department of Revenue Services (DRS) and one with Probate Court. For the special estate tax, see **Special Notice 2004(1.1)**.

4. When is the Connecticut estate tax return due?

Generally, Form CT-706 must be filed within nine months of the decedent's death. However, for estates of decedents dying on or after July 1, 2004, and before January 1, 2005, **Form CT-706** or **Form CT-706EXT, Application for Extension of Time to File and/or Pay Estate Tax**, must be filed within six months of the decedent's death.

5. How do I calculate the Connecticut estate tax due?

For estates of decedents dying before July 1, 2004, the Connecticut estate tax generally equals the maximum credit allowable for state death taxes under I.R.C. §2011, on federal Form 706, *United States Estate (and Generation Skipping Transfer) Tax Return*. This is computed on Table B of the instructions for federal Form 706. The Connecticut estate tax is subject to the federal limits to the allowable credit for state death taxes.

For estates of decedents dying on or after July 1, 2004, and before January 1, 2005, the Connecticut estate tax is imposed on estates that are subject to federal estate tax, as well as on certain estates that are not subject to federal estate tax. When imposed on estates, the Connecticut estate tax is generally 130% of the credit allowable for state death taxes on federal Form 706, as computed on Table B of the instructions for federal Form 706. For more information, see **SN 2004(1.1), Special Estate Tax on Estates of Decedents Dying On or After July 1, 2004, and before January 1, 2005**.

The Connecticut estate tax is not imposed on estates of decedents dying on or after January 1, 2005.

6. What is the Connecticut succession tax file number?

This is a unique identification number assigned to an estate by DRS. This number, if known, should be included on all estate correspondence.

7 What is a tax ID number?

This is a Federal Employer Identification Number (FEIN) that must be used when reporting federal estate income tax. Contact the Internal Revenue Service at **1-800-829-1040**.

8. When is the estate tax due?

Generally, the estate tax is due nine months after the decedent's date of death. However, for estates of decedents dying on or after July 1, 2004, and before January 1, 2005, the estate tax is due six months after the decedent's death unless Form CT-706EXT is filed.

9. What is the interest rate for late payment of estate taxes?

The interest rate for late payment is 1% (.01) of the tax due per month beginning nine months after date of death for estate taxes. For a chart of historical interest rates, refer to **Form C-106**.

10. I have a good reason for paying late. Will DRS waive the interest?

No. DRS has no statutory authority to waive interest.

11. How is the penalty on estate tax calculated?

The penalty for late filing is \$50. The penalty for late payment is 10% (.10) of the tax due and not paid. If both late-filed and late-paid penalties apply, the greater of these penalties applies.

12. How are payments applied?

Payments for late-filed or late-paid estate tax are applied first to penalty, then interest, and then to tax.

13. I have a good reason for paying my estate tax late. Will you waive the penalty?

Explain in writing your reason for requesting a penalty waiver and send it to the examiner named on your assessment. The total tax and interest due must be paid before the penalty waiver request will be processed. You do not have to pay the penalty portion of your assessment, but if the penalty is not waived there will be interest due on this amount. Payments are applied first to penalty, then interest, then tax.

14. Does the estate receive interest on a refund of estate tax?

Yes. You currently receive interest on a refund computed from the later of the payment date or nine months after the date of death for estate tax. For historical interest rates, refer to Form C-106.

15. May I apply the estate tax refund check toward an additional amount of estate tax owed?

Generally, yes. Return the check with a written explanation to the audit supervisor and the circumstances will be reviewed.

16. If the estate has a refund check that cannot be cashed or the refund check cannot be found, what should I do?

If you have a refund check that cannot be cashed, return it to the audit supervisor with a note indicating your situation. A replacement check will be issued.

In the case of a lost refund check, send a note to the audit supervisor indicating your situation. A tracer will be processed through the Comptroller's Office.

17. If I amend my federal 706, when must I amend my CT-706?

DRS must be notified within 90 days if federal Form 706 is amended or adjusted by any means.

18. How do I obtain a release of lien?

DRS issues releases on taxable estates and for estates required to file Form CT-706. A Connecticut attorney or fiduciary may request a release of lien by filing a completed **Form CT-4422, Application For Certificate Releasing Connecticut Succession and Estate Tax Liens**, and **Form CT-792, Certificate Releasing Connecticut Succession and Estate Tax Liens**. The quickest way to apply is to fax the completed forms to **860-297-5775**.

19. How do I obtain an extension to file Form CT-706 or pay the estate tax, or both?

You may apply for an extension to file and/or pay by filing **Form CT-706EXT, Application for Extension of Time to File and/or Pay Estate Tax**. If requested within nine months of the decedent's date of death, and the request for an extension to pay has adequate justification, the extension to file or pay, or both, is granted automatically and you will not hear from us. Interest accrues on any estate tax due and not paid within nine months of the date of death. If the special estate tax applies, see **Special Notice 2004(1.1)**.

20. When does an estate need to file a domicile declaration?

Generally, whenever a decedent is claimed to be a nonresident, the fiduciary of the decedent's estate must file **Form C-3, Domicile Declaration**. If the Probate Court judge certifies that no succession tax is due and the estate is not required to file Form CT-706, then the domicile declaration need only be filed upon request.

21. I am a beneficiary of an estate. How may I obtain information about the estate?

Confidentiality laws described in Conn .Gen. Stat. §12-15 prevent DRS from revealing specific tax information to anyone other than an estate's authorized representative. Authorized representatives, including the estate attorney and the fiduciary, may obtain tax return information by submitting **LGL-002, Request for Disclosure of Tax Return or Tax Return Information**.

Generation-Skipping Transfer Tax

1. What is the generation-skipping transfer tax?

The Connecticut generation-skipping transfer tax (GST) absorbs the allowable federal credit for GST tax. This is the lesser of the creditable state GST tax or 5% (.05) of the Gross GST tax for federal purposes.

2. Who must file a generation-skipping transfer tax return?

Whenever a fiduciary is required to file either federal Form 706-GS(T), Generation-Skipping Transfer Tax Return for Terminations, or federal Form 706-GS(D), Generation-Skipping Transfer Tax Return for Distributions, a copy of that return must be filed for Connecticut tax purposes by the same due date used for federal purposes.

Effect on Other Documents: None

Effect of This Document: An Informational Publication addresses frequently asked questions about a current position, policy, or practice, usually in a less technical question and answer format.

IP 2004(25)
Various Taxes
Succession, Estate, and Generation-Skipping Transfer Taxes
Issued: 09/07/2004

For Further Information: Call DRS during business hours, Monday through Friday:

- **1-800-382-9463** (in-state), or
- **860-297-5962** (from anywhere)

TTY, TDD, and Text Telephone users only may transmit anytime by calling 860-297-4911.

Forms and Publications: Forms and publications are available anytime by:

- **Internet:** Preview and download forms and publications from the DRS Web site at **www.ct.gov/DRS**
 - **DRS TAX-FAX:** Call **860-297-5698** from the handset attached to your fax machine and select from the menu. Only forms (not publications) are available through TAX-FAX.
 - **Telephone:** Call **860-297-4753** (from anywhere), or **1-800-382-9463** (in-state) and select **Option 2** from a touch-tone phone.
 - You may also obtain commonly used succession and estate tax forms from the **Probate Court**.
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Paperless Filing Methods (fast, easy, free, and confidential):

- **For business returns:** Use **Fast-File** to file sales and use taxes, business use tax, room occupancy tax, estimated corporation tax, business entity tax, or withholding tax returns over the Internet. Visit the DRS Web site at **www.ct.gov/DRS** and click on **File/Register OnLine**.
 - **For resident income tax returns:** Use **WebFile** to file personal income tax returns over the Internet. Visit the DRS Web site at **www.ct.gov/DRS** and click on **File/Register OnLine**.
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